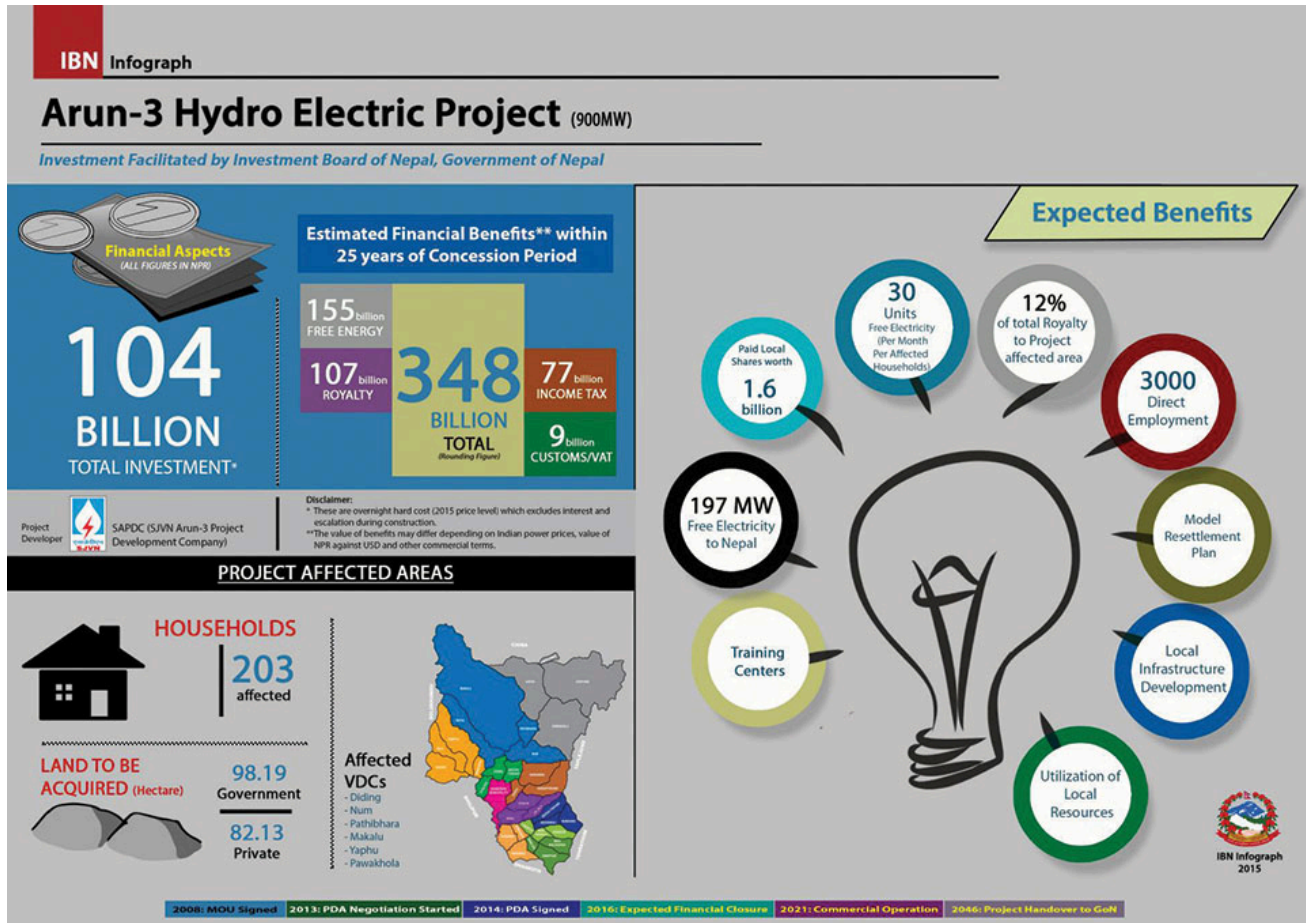




(/) Arun-3 achieves financial closure

Published On: ⌚ February 7, 2020 09:52 AM NPT By: Republica (/news/author/880) | 🐦 @RepublicaNepal

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7 banks of Nepal, India to finance 70% of project cost or Rs 78.6 billion

KATHMANDU, Feb 7: The long-awaited Arun-3 Hydropower Project has finally achieved financial closure.

The project inked financial closure agreement with State Bank of India (SBI), Export-Import Bank of India (EXIM), Punjab National Bank (PNB), Canara Bank, Union Bank of India from India and Nepali banks Everest Bank and Nabil Bank in Kathmandu on Thursday. The seven banks have pledged a total of Rs

101.34 billion to the project in the form of structured debt. The total debt tied up with the banks is Rs 78.60 billion plus Rs 22.74 billion stand-by line of credit (if required), according to a statement issued by the project.

While Indian banks are lending Rs 85.98 billion, Nepali banks will be extending credit of Rs 15.36 billion to the mega project. The Indian banks will levy interest rate of 8.35% whereas Nepali banks are charging 8.80% interest rate. While banks are financing 70% of the project cost, remaining 30% will be direct equity from Sutlej Jalvidyut Nigam Ltd of India.

The mega project is estimated to cost Rs 111.36 billion. It's per megawatt generation cost is Rs 123.7 million which is among the cheapest in Nepal.

Speaking at the signing ceremony, Nand Lal Sharma, chairman and managing director at SJVN Ltd, said that the construction work will expedite with the signing of financial closure agreement. "The project has already achieved about 30% work progress," he added.

The government awarded generation license to the project in May 2018, and transmission license in last February.

According to the project, it has obtained all requisite clearances and approvals for execution of the project from the governments of Nepal and India.

"The project started full-fledged after Prime Minister Khadga Prasad Oli and his Indian counterpart Narendra Modi jointly laid the foundation stone in 2018," Sharma added.

The company claims that Nepal will get financial benefits of up to Rs 338.6 billion before the project is handed over to the government after 25 years of operation. It will provide 21.5% of energy, or 197.1 MW, to Nepal free of cost.

The project currently employs over 2,000 workers including about 1,000 Nepalis, according to Sharma. Around 3,000 people are expected to be directly employed during the project construction period, he added.

Also speaking at the program, Minister for Energy, Water Resources and Irrigation Barshaman Pun said that Arun-3 will be a milestone in hydropower development in Nepal.

The project has minimum peaking capacity of 3.40 hours.

It project will build 217-kilometer transmission line to evacuate generate power to India. Altogether 536 transmission towers will be erected for the transmission line in districts like Sankhusabha, Mahottari, Udaypur, Siraha, Bhojpur, Khotang, Dhanusha.

The construction of the project has to be completed within five years of the signing of financial closure agreement.

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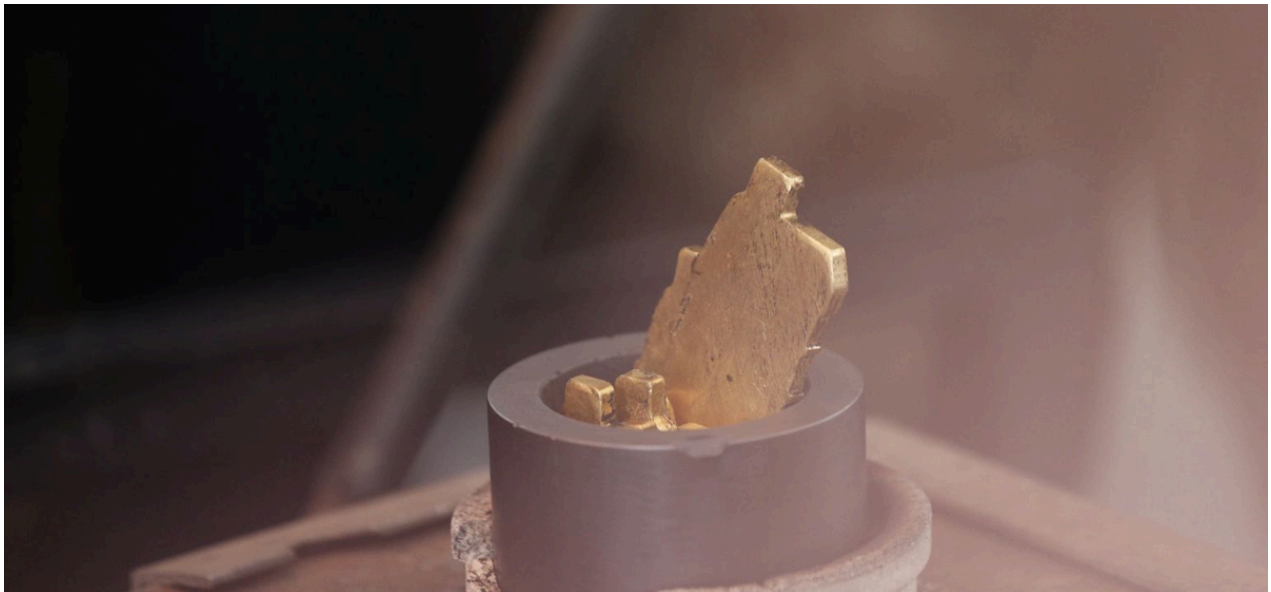
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